



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Amended:	04/01/02	Bill No:	SB 1826
Tax:	Sales and Use	Author:	Morrow
Board Position:		Related Bills:	AB 1980 (Bogh)

BILL SUMMARY

This bill would provide a sales and use tax exemption for the sale and purchase of emergency equipment purchased by a local emergency service provider.

ANALYSIS

Current Law

Under current law, the sales and use tax is imposed on the sale or use of tangible personal property in this state, including emergency equipment. Also, sales or use tax is imposed on purchases by state and local governments.

Proposed Law

This bill would add Section 6382 to the Revenue and Taxation Code to create a sales and use tax exemption for the sale of, or storage, use or other consumption of emergency equipment purchased by a local emergency service provider.

This bill defines the term “emergency equipment” to include authorized emergency vehicles as defined in Section 165 of the Vehicle Code and equipment and supplies used by a local emergency service provider in response to emergency conditions and for the protection of the public’s health, safety, and welfare.

This bill defines the term “local emergency service provider” to mean a fire department maintained by a city or town, a fire company in an unincorporated town organized pursuant to Section 14825 of the Health and Safety Code, or a fire protection district formed pursuant to the Fire Protection District Law of 1987, Part 3 (commencing with Section 13800) of Division 12 of the Health and Safety Code and a police department of sheriff’s department maintained by a city, county, or city and county.

The provisions of the bill would become operative on the first day of the calendar quarter commencing more than 90 days after the bill is enacted.

Background

Assembly Bill 2758 (Statham), introduced in the 1994 Legislative Session, contained provisions that would have provided a sales and use tax exemption for the sale and purchase of any authorized emergency vehicle purchased by city, county, city and county, or fire protection district. The Board was neutral on AB 2758. AB 2758 failed passage in the Assembly Revenue and Taxation Committee.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board’s formal position.

AB 1884 (Lowenthal), introduced in the 2000 Legislative Session, contained provisions that would have provided a 5 percent state sales and use tax exemption for the sale and purchase of any public safety vehicle purchased by a city, county, city and county, or district responsible for public safety. The Board voted to support AB 1884. AB 1884 failed passage in the Assembly Appropriations Committee.

COMMENTS

1. **Sponsor and Purpose.** This bill is sponsored by the author in an effort to reduce the operating costs related to emergency equipment acquisition. Due to the aftermath of September 11, emergency service providers are facing an increase in demand, and in return, an increase in operating costs.
2. **Definition of emergency equipment.** This bill defines the term “emergency equipment” to include authorized emergency vehicles as defined in Section 165 of the Vehicle Code and equipment and supplies used by a local emergency service provider in response to emergency conditions and for the protection of the public’s health, safety, and welfare. Section 165 of the Vehicle Code covers a wide range of vehicles that qualify as authorized emergency vehicles. Included would be a publicly owned and operated ambulance, privately owned and operated ambulance, publicly owned vehicles operated by any federal, state, local agency, department, or district employing peace officers.
3. **Definition of local emergency service provider.** This bill defines the term “local emergency service provider” to mean a fire department maintained by a city or town, a fire company in an unincorporated town organized pursuant to Section 14825 of the Health and Safety Code, or a fire protection district formed pursuant to the Fire Protection District Law of 1987, Part 3 (commencing with Section 13800) of Division 12 of the Health and Safety Code and a police department or sheriff’s department maintained by a city, county, or city and county.
4. **Definitions may cause confusion.** The proposed exemption would apply to sales of emergency equipment purchased by a local emergency service provider. However, some of the equipment that qualifies under the definition of emergency equipment would not normally be sold to a person that qualifies as a local emergency service provider. For example, under the provisions of this bill, a privately owned and operated ambulance would qualify as emergency equipment, but the privately owned and operated ambulance company would not qualify as a local emergency service provider. Therefore, the sale of an ambulance to a privately owned and operated ambulance company would not qualify for the exemption. This type of situation may lead to confusion for retailers and consumers as to which transactions may actually qualify for the proposed exemption.
5. **Would the proposed exemption apply to the sale of parts for vehicles?** The proposed exemption would apply to the sale of vehicles as defined in Section 165 of the Vehicle Code and equipment and supplies used by a local emergency service provider in response to emergency conditions and for the protection of the public’s health, safety, and welfare. This would apply to sales of fire hoses, tools used by emergency workers, and medical supplies consumed in providing emergency

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services. Also covered could be radio equipment, sirens, light bars, and other specialized equipment used to convert regular vehicles to be used as emergency vehicles. Vehicles consist of many moving parts and are in need of regular maintenance and repairs. Would the proposed exemption apply to the sale of repair or replacement parts that are an integral or component part of the public safety vehicle?

- 6. DMV may also be affected by this bill.** The sale of emergency vehicles, such as fire trucks and ambulances, could qualify for the proposed exemption. Sales and purchases of vehicles are generally subject to either the sales tax or the use tax. Generally, the sales tax applies when the vehicle is purchased from a dealer located in this state. The use tax generally applies whenever the sales tax does not apply, such as when a used vehicle is purchased from a private party.

When the sales tax applies, it is collected by the dealer and remitted to the Board of Equalization. When the use tax applies, the purchaser pays the tax to the Department of Motor Vehicles (DMV) when they register the vehicle. The DMV acts as an agent for the Board of Equalization in these situations.

The exemption proposed by this bill could require dealers selling vehicles subject to the exemption to maintain documentation to support the exemption and also require separate accounting and reporting for sales subject to the exemption. Additionally, the DMV would also be affected in situations where the tax exemption would apply, but the tax is being paid directly to the DMV rather than the selling dealer.

- 7. Related Legislation.** Assembly Bill 1980 (Bogh) would provide a sales and use tax exemption for the sale or purchase of pistols that are used by law enforcement officers in the performance of their duties. The Board voted to support AB 1980.

COST ESTIMATE

Some costs would be incurred in revising returns, regulations and publications. A detailed estimate of the workload impact is pending.

REVENUE ESTIMATE

A detailed revenue estimate is pending.

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